

TSP Open Season

October 15 – December 31, 2004



Members of the
Uniformed Services

The **Thrift Savings Plan** is a voluntary retirement savings and investment plan. The money you save and earn through your TSP account will provide you with an important source of retirement income. A major advantage of the TSP is that contributions and earnings are tax-deferred — you pay no taxes until you withdraw from your account.

The **TSP open season** is your chance to start or change your contributions to your TSP account. Ask your service TSP representative for Form TSP-U-1 or download a copy from the TSP Web site, www.tsp.gov. Your contributions will be made automatically from your pay each month.

Note: Some services process these elections electronically instead of using paper forms. For example, most members of the Department of Defense have access to **myPay**. Check with your service TSP representative for guidance.

This open season, you can elect to contribute up to 10% of your basic pay each month. If you elect to contribute from basic pay, you may also elect to contribute up to 100% of incentive pay and special pay (including bonus pay) that you receive, but your total contributions from taxable pay for the year may not exceed the Internal Revenue Service (IRS) limit (\$14,000 for 2005).

Contributions from pay earned in a combat zone, which are tax-exempt, are not included in this limit, but they count toward another IRS limit which specifies that the combined total of tax-deferred and tax-exempt TSP contributions cannot exceed the lesser of 100% of compensation or \$41,000. (This dollar amount is indexed and may rise in 2005.) If you also contribute to a civilian TSP account, total contributions to both your accounts cannot exceed that limit.

You can choose among five investment funds:

- **Government Securities Investment (G) Fund** — invested in short-term, risk-free U.S. Treasury securities that are specially issued to the TSP
- **Fixed Income Index Investment (F) Fund** — invested in a bond index fund that tracks the Lehman Brothers U.S. Aggregate (LBA) bond index
- **Common Stock Index Investment (C) Fund** — invested in a stock index fund that tracks the Standard & Poor's (S&P) 500 stock index (which comprises large companies)
- **Small Capitalization Stock Index Investment (S) Fund** — invested in a stock index fund that tracks the Dow Jones Wilshire 4500 Completion stock index (which comprises small and medium companies)
- **International Stock Index Investment (I) Fund** — invested in a stock index fund that tracks the Morgan Stanley Capital International EAFE (Europe, Australasia, Far East) stock index (which comprises stocks in 21 countries)

There is no guarantee that future rates of return will replicate historical rates. There is risk of investment loss in the F, C, S, and I Funds.

You can get the most recent share prices and rates of return by visiting the TSP Web site or by calling the ThriftLine.

If you are a new participant, your contributions are automatically invested in the G Fund. Once your account has been established, make an investment allocation to put your contributions in the funds of your choice.

The annual rates of return (net earnings after expenses) for the G, F, C, S, and I Funds are shown below.

Year	G Fund	F Fund	C Fund
1994	7.2%	-3.0%	1.3%
1995	7.0%	18.3%	37.4%
1996	6.8%	3.7%	22.8%
1997	6.8%	9.6%	33.2%
1998	5.7%	8.7%	28.4%
1999	6.0%	-0.8%	21.0%
2000	6.4%	11.7%	-9.1%
2001	5.4%	8.6%	-11.9%
2002	5.0%	10.3%	-22.0%
2003	4.1%	4.1%	28.5%
1994 – 2003 compound annual rates of return	6.0%	6.9%	11.0%

Year	S Fund*	I Fund*
1994	-2.7%	7.8%
1995	33.5%	11.3%
1996	17.2%	6.1%
1997	25.7%	1.5%
1998	8.6%	20.1%
1999	35.5%	26.7%
2000	-15.8%	-14.2%
2001	-9.0%	-21.9%
2002	-18.1%	-16.0%
2003	42.9%	37.9%
1994 – 2003 compound annual rates of return	9.7%	4.3%

* The S and I Funds were implemented in May 2001. Through May 2004, the S Fund tracked the Wilshire 4500 stock index. Currently, the S Fund tracks the Dow Jones Wilshire 4500 Completion stock index. The I Fund tracks the Morgan Stanley Capital International EAFE (Europe, Australasia, Far East) stock index. The returns shown reflect the actual performance of the S and I Funds from May 2001 forward, and the returns of the Wilshire 4500 and EAFE indexes (without deduction of any administrative expenses, trading costs, or investment management fees), respectively, for the first 4 months of 2001 and for prior years.

You may choose or change your investments in the following ways:

- **Contribution allocation** — specifies the way in which all new money coming into your account (payroll contributions, loan payments, transfers and rollovers from other retirement plans) is invested in the funds. It does not affect the investment of your current balance. Until you make a contribution allocation, your money will be invested in the G Fund.
- **Interfund transfer** — redistributes the money already in your account. It does not affect the investment of future contributions.

Open season is a good time to review your investment choices and rebalance your account to match your retirement savings goals. You can rebalance by making interfund transfers, contribution allocations, or a combination of the two.

You may make your contribution allocation or interfund transfer at any time using:

- the TSP Web site (www.tsp.gov).
- the ThriftLine 1-TSP-YOU-FRST (1-877-968-3778). Callers outside the U.S. and Canada call 1-504-255-8777 (not toll-free).
- Form TSP-U-50, Investment Allocation.

The Web site and the ThriftLine are the most efficient ways to make your investment allocation. You will need your Social Security number and your TSP Personal Identification Number (PIN) to make your request. If you are a new participant, you will receive a PIN in the mail after your account is established. If you lose or forget your PIN, you will have to request a new one.

If you are age 50 or older, and you are contributing the maximum amount of regular TSP contributions for which you are eligible, you may elect to make additional “catch-up” contributions from your taxable basic pay up to \$3,000 for 2004, and \$4,000 for 2005. Check with your service TSP representative for guidance about when to submit your election.

Note for members of the Ready Reserve: If you also contribute to a TSP account as an employee of the Federal Government covered by the Federal Employees’ Retirement System (FERS), be sure that your contributions to your uniformed services account do not cause you to reach the IRS annual limit of \$14,000 before the end of the calendar year. If you do, you could lose out on matching contributions from your civilian agency.

More information about the TSP is available from your service. Ask for the *Summary of the Thrift Savings Plan*. Be sure to review the information in the Plan Summary before you make any decisions about your TSP account. Additional information (as well as the most recent forms and publications) is available from the TSP Web site.

Restrictions on withdrawing your money apply while you are a member of the uniformed services. Read the Plan Summary for details.

Address changed? If so, contact your service immediately to correct your TSP account records.